



DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON 25, D. C.

COR-0151  
COPY 1 OF 3

#183  
REPLY TO:

Auditor General  
Comptroller, USAF  
Hq Western District  
1206 Maple Avenue (Room 916)  
Los Angeles 15, California

4 August 1958

SUBJECT: Report on Survey of Government Property Procedures  
General Electric Company, Missile and Ordnance Systems Department  
Philadelphia, Pennsylvania

TO: Contracting Officer

1. A survey was made of the subcontractor's property records, procedures, and controls in connection with Government property arising out of the subcontract which is being administered by you.

2. Our survey included a review of the most recent Government property audit report and working papers of the Air Force Resident Auditor, and such other procedures as were considered necessary in the circumstances.

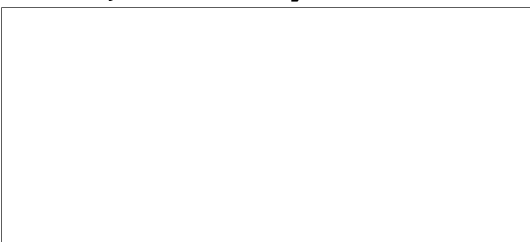
3. Results of Examination:

a. Except as indicated in paragraph 3b below, the subcontractor's property records, procedures, and controls are considered adequate to protect the Government's interest.

b. No significant areas of difficulty were disclosed by the survey with respect to accounting for nonexpendable items of test equipment, tooling, etc. However, one major weakness was encountered in connection with direct materials consumed in production, as commented below. Detailed explanation, together with the auditor's recommendations, are set forth in the attached schedule.

c. Schedule 1: Accountable records are not being maintained by the subcontractor for direct materials expended in the manufacture of product and other contract items.

4. The opinion stated in paragraph 3a is subject to the results of any subsequent resurveys concerning whether or not the subcontractor is following established property procedures under this project, since no Government property has as yet been acquired thereunder.



*Subcontractor*  
*1-100*

*File RT-100*  
*6-6*

#183, subj: Rept on Survey of Gov Property Procedures, Gen Elec Co.,  
Missile and Ordnance Sys Dept, Philadelphia, Pa., 4 Aug 58 - (cont'd)

5. Discussion of Survey Findings: The results of our survey were discussed on 24 July 1958, with the following subcontractor representatives, who agreed to develop the data mentioned in the auditor's recommendations:

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[redacted] Systems Planning Engineer  
[redacted] Project Engineer  
[redacted] Manager - Contract Accounting Administration

6. Action Recommended for the Contracting Officer: In view of the concurrence of the subcontractor with the survey findings, and his agreement to take necessary corrective action, no remedial action is recommended at this time. However, it is suggested that a copy of this report and the attached schedule be furnished to the subcontractor, accompanied by a request for an indication of the date when the necessary control records to be set up for purposes of ultimately producing the accountability statement will be instituted and available for our review. You may also wish to furnish a copy of this report to the prime contractor for his information.

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[redacted]  
Project Supervisor  
Western District  
Auditor General

Schedule 1

General Electric Company  
Missile and Ordnance Systems Department  
Philadelphia, Pennsylvania

Survey of Government Property Procedures

Property Records for Expendable Materials

Comment:

Although the subcontractor retains files of pertinent documents (purchase orders, receivers, vendors' invoices, etc.) for parts and components required for immediate use, stock record cards or similar accountable records of the activity (receipts and issues) of individual parts are only maintained for expendable material not required for immediate use. It is considered that such a record is a minimum requirement for accountability purposes for major and/or sensitive components procured under this project, regardless of the timeliness of their usage.

Recommendation:

An accountability statement of the type discussed by the auditor with the subcontractor's representatives should be prepared for major and/or sensitive parts or components accountable for under the subcontract. For each part or component listed, the statement should show:

- a. Total accountability, as a listing of individual quantities received.
- b. Known disposition of total accountable quantity, i.e., shipped as end product, destroyed in environmental test, obsolete due to design changes, swapped, etc.
- c. Resulting book balance (a minus b).
- d. Quantity on hand per physical inventory.
- e. Difference between book balance and physical inventory (c vs. d).

In developing the above data, it will be necessary to take a physical inventory as of the equivalent date of the accountability statement (conclusion of the subcontract). This recommendation is not intended to apply to supply or hardware type items such as gaskets, nuts, bolts, etc., or other low-unit cost items.